

## THE ROLE OF ENTREPRENEURSHIP INCREASING INDONESIAN ECONOMIC GROWTH

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### ABSTRACT

*Indonesia is one of the largest countries in the world in terms of population, area, cultural diversity and natural resources. However, this has not yet made Indonesia a developed country that is strong and highly competitive with other countries and has not been optimal in overcoming macroeconomic problems among society such as disrupted economic growth, sharp unemployment and poverty rates, a currency exchange rate crisis on foreign debt, inflation and loss of competitiveness occur. Entrepreneurship through micro, small and medium enterprises (MSMEs) is very important to help national development. One indicator of national development is economic growth. Economic growth is urgent in a country, especially in increasing income and improving people's welfare. This research aims to provide a new perspective on the role entrepreneurship plays in the progress of the Indonesian economy and provide evaluation material to stakeholders that entrepreneurship can contribute to the progress of the Indonesian economy. This case study research uses a descriptive qualitative approach through library research. This research concludes that the role of entrepreneurship is increasingly important as a result of the dynamics of economic development, especially related to economic growth and business development to increase people's purchasing power and prosperity and cannot be separated from the government's ability as a public service in creating policies that support business activities in society.*

*Keywords: Entrepreneurship, MSMEs, Economic Growth*

### 1. INTRODUCTION

Indonesia is one of the largest countries in the world in terms of population, area, cultural diversity and natural resources. Based on data from the Central Statistics Agency, Indonesia's population is around 282 million people, this can be a strong capital to advance the country's economy, both as producers and as consumers. Indonesia is rich in ancestral cultural heritage considering that there are hundreds of tribes, ethnicities,

languages and customs that still grow and develop in the unitary state of the Republic of Indonesia. The area of almost 1,916 million Km<sup>2</sup> with a total of 17 thousand islands, is one of the factors supporting the country's wealth with various abundant natural resources, various mining goods, forest products, marine products, and biodiversity spread throughout Indonesia.

However, this has not yet made Indonesia a developed country that is strong and highly competitive with other countries and has not been optimal in overcoming macroeconomic problems among society such as disrupted economic growth, sharp unemployment and poverty rates, a currency exchange rate crisis on foreign debt, inflation and loss of competitiveness occurs. This encourages the government to continue making efforts to stabilize the country's economy so that people are able to independently help overcome economic problems through empowering micro, small and medium enterprises (MSMEs) thereby creating e- entrepreneurship among the community. The creation of entrepreneurs is an alternative solution to various problems in society such as poverty and social inequality, increasing unemployment in the productive age and depletion of energy supplies, all of which require creative and innovative action.

Having an entrepreneurial spirit is not only limited to intelligence in the academic field and skills in producing a product but also a dynamic spirit in responding to challenges and risks and then turning them into opportunities and potential growth. According to (Support et al., 2022) a nation will be advanced and prosperous if the number of entrepreneurs is at least 2% of the total population. Even though Indonesia produces around 700 thousand new graduates every year and has the ability to double economic growth, total and per capita income, reduce unemployment and poverty rates by gradually but surely increasing the number of successful entrepreneurs by utilizing technology which is growing rapidly today.

Entrepreneurship through MSMEs is very important to help national development. One indicator of national development is economic growth. Economic growth is urgent in a country, especially in increasing income and improving people's welfare. According to Rahardjo (2013) economic growth is an effort to increase production capacity to achieve additional output, which is measured using Gross Domestic Product (GDP) or using Gross Regional Domestic Product (GRDP) in a region. According to Simon Kuznets (2010), economic growth is an increase in the long-term capacity of the country concerned to provide various economic goods to its population. This increase in capacity is made possible by technological, institutional and ideological progress or adjustments to various existing conditions. From the opinion above, we can

conclude that economic growth is an effort to increase production capacity to achieve additional output in providing various economic goods to society.

The existence and role of MSMEs in the Indonesian economy is one of the keys to success in improving people's welfare, seen from the three roles of MSMEs in the Indonesian economy, including a means of equalizing the economic level of small people, a means of alleviating poverty and a means of earning foreign exchange for the country. Apart from that, MSMEs are useful for balancing the country's economy so that economic turnover continues and the economy becomes stronger by building synergy in mapping entrepreneurial potential, creating an entrepreneurial climate, fostering entrepreneurship and entrepreneurial incubation as well as financing support.

This research aims to provide a new perspective on entrepreneurship in the progress of the Indonesian economy and provide evaluation material to stakeholders that entrepreneurship can contribute to the progress of the Indonesian economy so that Indonesia is able to become a country that has high competitiveness, and is able to overcome macroeconomic problems such as economic growth . disruption, sharp rates of unemployment and poverty.

## 2. LITERATURE REVIEW

### Understanding Entrepreneurship

Entrepreneurship was historically introduced by Richard Castillon in 1755. Abroad, the term entrepreneurship itself has been known since the 17th century, while in Indonesia the term entrepreneurship was only known at the end of the 20th century. Several entrepreneurship terms such as in the Netherlands it is known as ondernemer , in French it is known as entreprendre , in German an entrepreneur is called unternehmer , a derivative of the word unternehmen which means running, doing and trying. In terms of business, what this means is starting a business. The Merriam-Webster Dictionary describes the definition of an entrepreneur as someone who organizes and assumes the risks of a business or enterprise. According to Thomas W. Zimmerer (2008) entrepreneurship is the application of creativity and innovation to solve problems and take advantage of opportunities that people face every day. According to Andrew J. Dubrin (2008) an entrepreneur is someone who establishes and runs an innovative business.

The term entrepreneurship is known in Indonesian as entrepreneurship. Entrepreneurship plays a strategic role in improving community welfare which can be seen from the low poverty rate by creating job opportunities created by the community based on their respective potential and advantages. One of the government's agendas for reducing unemployment and alleviating poverty is through developing entrepreneurship among the community . Entrepreneurship development is related to the government's efforts to realize more equitable and just development as reflected in the government's vision and mission.

Entrepreneurship is encouraged to develop widely according to needs so that it becomes an effective vehicle for increasing economic movement through empowering micro, small and medium enterprises (MSMEs). This is a strategic choice to increase the income of low-income groups and reduce income gaps and poverty by increasing the capacity of micro, small and medium enterprises, management skills of micro, small and medium enterprises, as well as encouraging business protection and development. To realize this idea, it is necessary to revitalize the entrepreneurial function based on community-based resource management by involving the role of government and society in a participatory manner.

Entrepreneurship in Indonesia itself is stated in the Decree of the Minister of Cooperatives and Small Entrepreneur Development Number 961/KEP/M/XI/1995 as a person's spirit, attitude and ability to handle a business which aims to create the latest products or technology for better service, or obtain greater profits (Munawaroh, et. al, 2016).

## **Understanding Economic Growth**

Economic growth is an increase in the value and amount of production of goods and services calculated by a country in a certain period of time based on several indicators, for example an increase in national income, per capita income, a workforce that is greater than the number of unemployed, and a reduction in the poverty rate. Economic growth can also be interpreted as a continuous process of change towards better conditions in the economic conditions of a country. A country's economy can be said to be growing if the economic activities of its people have a direct impact on increasing the production of goods and services. By knowing the level of economic growth, the government can make plans regarding state revenues and future development. Meanwhile, for business sector players, the level of economic growth can be used as a basis for making product and resource development plans.

Economic growth really supports the welfare of society. This will be created if there is an increase in people's income so that people are able to fulfill their living needs well. Apart from that, the role of economic growth is to measure the level of social welfare in a country. With good economic growth, it can be estimated that the country will become more advanced, which is characterized by high national income, low crime, high levels of citizen education and reduced unemployment.

The right economic policy is the spearhead of success for a country by seeing increasingly better economic growth. Changes in national output indicate economic growth. Changes in national output are measured by Gross Domestic Product (GDP) or Gross Regional Domestic Product (GRDP). According to Sukirno (2012:29), economic growth is the development of economic activities that occurs from time to time and causes real national income to grow. Meanwhile, Subandi (2011:15) defines economic growth as an increase in GDP/GNP regardless of whether the increase is greater or smaller than population growth, or whether there is a change in the economic structure or not.

A country's economy is said to be experiencing growth if the real returns to the use of production factors in a particular year are greater than in previous years. Thus, the definition of economic growth can be interpreted as an increase in the physical production capacity of goods and services within a certain period of time (Prasetyo, 2009: 237). From the definition above, it is important to note that growth is a process, meaning that economic growth is not a condition or description of the economy at one point in time, but economic growth is related to output per capita, total output (GDP) and population.

In its development to date there are various theories of economic growth. This theory itself has emerged to explain the growth cycle as well as the factors that have a direct influence on an increase in the national economy according to experts. Among the many theories that have emerged, here are some of them:

1. Neoclassical Theory

Neoclassical theory or also known as the Solow-Swan model of economic growth because it was originally introduced by Adam Smith, then put forward again by Robert Solow and TW Swan. This theory states that there are three main factors that influence economic growth, including capital, labor and technological developments. This theory also believes that increasing the number of workers can increase per capita income. However, without developing modern technology, this increase will not have a positive impact on national economic growth.

2. Classical Theory

Classical theory has developed since the 18th century. Its originator was a prominent figure named Adam Smith who stated that the economy of a country's population would reach its highest point when using a liberal system which consisted of two main elements, namely population growth and output. This concept was later refuted by David Ricardo who stated that population growth did not have a positive influence on national economic growth, on the contrary, it would only increase the productive workforce, which would also result in a decrease in workers' wages. Classical economic theory was born as the first milestone in economic thinking which was used as a scientific discipline. This theory emerged because of the weaknesses and deficiencies of previous economic theories which you can learn about in the book Economic Triangle Theory by Muhammad Arfah Rahman.

### 3. Historical Theory

This theory was developed by a number of economists, including Karl Bucher, Werner Sombart, and Frederich List, with different views, but both centered on the economic activities of society. According to Karl, the relationship between producers and consumers influences national economic growth. This relationship occurs in cities, communities, at the household level, and even in the world. Meanwhile, Werner Sombart groups the role of society in economic growth, from the closed economy stage, the industrial growth stage, to the capitalist stage .

growth is a process of changing the economic conditions of a country continuously towards a better condition within a certain period of time. Find out what factors actually play an important role in influencing economic growth:

#### 1. Natural Resources (SDA)

Natural Resources are something that comes from nature, including soil fertility, location and structure, natural wealth, minerals, climate, water sources, even marine resources. For economic growth, the availability of abundant natural resources is very good in supporting development.

#### 2. Human Resources (HR)

Human Resources play a very important role in economic growth. Human resources or also abbreviated as HR are productive individuals who act as drivers of an organization, both in companies and institutions. It acts as the main element of the organization compared to other elements such as technology or capital, because humans are the ones who will then control these other factors. Human Resources themselves are not solely calculated based on their numbers but rather on their efficiency.

### 3. Capital Accumulation

Capital accumulation as a stock of reproducible factors of production. Capital accumulation is the process of increasing the stock of human-made physical capital in the form of equipment, machines and buildings. If the capital stock increases within a certain time, it is also called capital accumulation or capital formation. The relationship between Capital Accumulation and economic growth itself in aggregate can measure capital accumulation from the gross capital formation figure (gross investment) minus depreciation, both of which are within the scope of the Gross Domestic Product (GDP) component.

### 4. Managerial Power and Production Organization

Production organization is an important part of the economic growth process which is closely related to the use of production factors in various economic activities. Production organization is also carried out and regulated by managerial personnel in various daily activities.

### 5. Technology

Technological change is considered one of the most important factors in the process of economic growth, because technological change and progress is closely related to changes in production methods which are able to eliminate time and space boundaries which then give rise to new industries that take advantage of technological developments. This is what then results in economic movements, if previously the exchange of goods was carried out physically, now this exchange also occurs through technological media. The economic movements that occur will indirectly affect economic growth. At the macroeconomic level, technological developments function to contribute to economic growth and encourage economic development in an even better direction. The development of information technology will also indirectly strengthen a country's competitiveness in developing its economy.

### 6. Political Factors and Government Administration

A weak political and administrative structure is a major obstacle to a country's economic development. Politics that are in an unstable condition and a corrupt government will certainly greatly hinder economic progress. Apart from that, social aspects of people's lives such as behavior, attitudes, work motivation, community views, or community institutions, legal order and the composition and regulations and incorrect implementation of laws and regulations are also factors inhibiting economic progress. So it does not support the implementation of economic growth. Therefore, the law should be implemented consistently and orderly.

The success of a country is seen from its economic growth. Economic growth must be in the focus of attention and then continuously improved because it is an indicator of the success of the performance of the government and its staff in creating a more stable life and leading to better and more prosperous conditions over time for its people. The indicator of economic growth itself can be seen from Gross Domestic Product (GDP) because in principle, economic growth can be understood as an increase in national income or an increase in output of goods and services produced within one year. Gross Domestic Product (GDP) describes real national income which is calculated from the total output of services and goods produced by a country. Apart from that, another indicator is real income per capita which shows the income of the people of a country. If there is an overall increase from year to year, it can be said that the country's economy is experiencing positive growth. Not only that, the welfare of the population is also an indicator of economic growth because it is related to real income per capita. This indicates an increase in the economic level in a better direction for the entire community. The availability of jobs will then reduce the unemployment rate and increase energy absorption automatically, when this happens economic growth in a country occurs. This means that productivity increases.

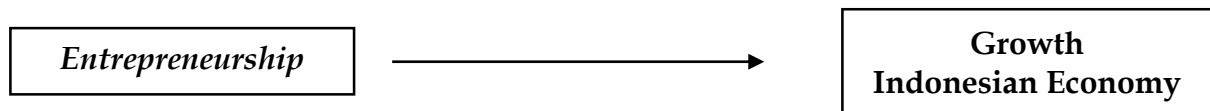
## Previous Research

1. Xavier (2019) reviewed the influence of entrepreneurship on economic growth. The research results show that economic growth can be explained by growth-oriented entrepreneurship, including developing countries. These results remain robust to a range of specifications that include economic, social and cultural controls, and two ways of disaggregating countries by stage of development
2. Miguel et.al (2019) to analyze the relationship between entrepreneurship and economic growth, including the role played by institutions and innovation by considering two types of entrepreneurship (need and opportunity) and the country. The research results show that innovation has a positive effect on economic growth and entrepreneurship. In addition, the adequate functioning of institutions has been shown to increase economic growth and entrepreneurial opportunities. Finally, there is a positive relationship between entrepreneurship and economic growth.
3. Mohammed Ayoub Ledhem (2021), investigates the relationship between Islamic finance for entrepreneurial activities and economic growth in Malaysia in an endogenous growth model. This research uses parametric analysis represented by vector autoregression (VAR) Granger causality and non-parametric analysis represented in bootstrap quantile regression to test the influence of Islamic finance on entrepreneurial activities on economic growth in an endogenous growth model.



4. RW Hafer (2013) conducted research to test whether entrepreneurship is an important factor in explaining economic growth at the state level. This research shows that increasing the level of entrepreneurial activity is closely related to increasing economic growth.
5. Sue (2023) conducted a practical study on how entrepreneurial efforts influence economic expansion by utilizing data from Global. The research results show that the direct impact of entrepreneurial activities on growth is not significant or positive, but over time, the impact will be visible if sustained efforts are made.
6. Nurmalia et al (2018) conducted research with the aim of finding out the role of entrepreneurship in regional economic growth in Indonesia. The results of this research show that entrepreneurial productivity has a significant role in regional economic growth in Indonesia.

#### conceptual framework



### 3. METHODOLOGY

This research is qualitative research, namely a type of research that uses descriptive data in the form of written or spoken language from people and observed behavior. According to Boedi Abdullah and Beni Ahmad Saebani, (2014:75), the qualitative approach emphasizes meaning, reasoning, definition of a particular situation (in a particular context), and examines more things related to everyday life. The method used in this research is library research , namely by reviewing and studying various literature (books, journals, legal regulations, etc.). Which is used as a reference based on the main problems studied by Jaya (2020:149).

The reason the literature study was chosen was because the research object, namely the role of Entrepreneurship in advancing Indonesia's economic growth, could only be answered through literature study research. This research uses qualitative data, namely data that cannot be measured on a numerical scale. The data sources used are secondary data related to research objects originating from books, scientific journals, papers and others. Data collection techniques or tools in qualitative research are observation, visual analysis, literature study and interviews (individual or group) (Gill et.al 2008). Data processing steps are carried out by reducing data, classifying data, and presenting data. Data analysis in qualitative research is inductive and ongoing. The

ultimate goal is to produce understanding, concepts and the development of a new theory (Boedi Abdullah and Beni Ahmad Saebani, 2014, p.79).

#### **4. RESULTS AND DISCUSSION**

##### **ENTREPRENEURSHIP**

Entrepreneurship plays an important role in creating jobs, innovation and growth. Against this backdrop, interest in entrepreneurship has grown among the public, scholars and policy makers. Meanwhile, the reasons for entrepreneurship traditionally focus on increasing income, empowerment and social inclusion. The government through the Ministry of Youth and Sports (Kemenpora) has a strategic plan to increase the number of young entrepreneurs in Indonesia. Considering that Indonesia currently has a demographic bonus in the form of a high productive workforce and a low number of entrepreneurs. Based on PP no. 41 of 2011, the Ministry of Youth and Sports is tasked and responsible for carrying out entrepreneurship development in the form of workshops, internship activities, mentoring, supervision, coordinating with program partners, promotions and business capital assistance. ( <http://m.kemenpora.go.id> ).

The Minister of Finance, Mrs. Sri Mulyani, once said that the development and empowerment of Micro, Small and Medium Enterprises (MSMEs) is very important for the global economy because MSMEs are the backbone of the world economy. Micro, Small and Medium Enterprises (MSMEs) are one of the Foundations of the National Economy, based on data from the Ministry of Cooperatives and Small and Medium Enterprises, the contribution of MSMEs reaches 99% of all business units, the contribution to GDP is 60.5% and able to absorb 96.9% of the workforce. Micro, Small and Medium Enterprises (MSMEs) have emerged as one of the vital pillars of the Indonesian economy. MSMEs have been proven to be resilient to crises, and have even become a booster for economic recovery in times of crisis, including the current Covid-19 pandemic. However, generally MSMEs in various regions in Indonesia face challenges, some of these challenges include access to finance, marketing/promotion, infrastructure and technology, regulations and bureaucracy as well as limited skills and knowledge. For this reason, synergy and the role of various related parties are needed to increase the strengthening of the MSME sector as one of the driving forces for Indonesia's economic growth. ( <https://djpb.kemenkeu.go.id> ).

In accordance with article 97 of the Job Creation Law, the Central Government and Regional Governments are obliged allocate at least 40% (forty percent) of

products/services for Micro and Small Enterprises and Cooperatives from domestic production in the procurement of goods/services for the Central Government and Regional Government in accordance with the provisions of statutory regulations.

Efforts to foster an entrepreneurial spirit must of course start when someone is still young, even from childhood. However, if you look at the current practice in Indonesia, the priority focus is more on preparing a child to enter the next level of education. This can be seen from the greater emphasis in learning on reading, writing and arithmetic skills, even though character formation is no less important than mastering these abilities and the role of parents is very large in forming a child's character, one of which is in an effort to foster an entrepreneurial spirit from the start, because character can develop if instilled from that age.

The spirit of entrepreneurship is not easy, so prospective entrepreneurs must be ready to face various challenges and obstacles in running the business they are involved in. Not a few entrepreneurs stop in the middle of the road and switch to becoming office employees with a safe and regular salary every month. The various challenges faced by entrepreneurs are irregular income/income, fluctuations in price increases, living needs and most importantly self-commitment and demands in creating and innovating in the business they own. Because one of the failures of entrepreneurs is their limited ability to innovate and be creative in business development and keeping up with technological developments.

Dusselman (1989) believes that someone who has an entrepreneurial spirit is characterized by the following behavioral patterns, namely:

1. Innovation in creating, finding and accepting new ideas
2. Courage to face risks in facing uncertainty and making decisions.
3. Managerial abilities in the aspects of planning, coordinating, monitoring and evaluating business
4. Leadership in motivating, implementing and directing business goals.

Meanwhile, according to Suryana (2003), the soul of an entrepreneur is characterized by the following attitudes:

1. Confident in beliefs and optimistic
2. Oriented to tasks, results and achievements
3. Have strong determination, energetic and always take the initiative
4. Likes challenges and is a risk taker
5. Have a strong vision and mission

Entrepreneurship process begins with challenges that arise from ideas, the will and encouragement to take initiative, and think creatively and innovatively so that the challenges faced can be overcome well. According to Suryana (2006), the stages or steps of entrepreneurship for a person are as follows:

1. Getting Started Stage

The stage where someone intends to do business, which begins with preparing everything necessary. Apart from that, it starts by looking at the challenges and opportunities for new businesses and continues with the possibilities and desires of opening a new business. This stage also chooses the type of business that will then be carried out, whether in the agricultural, industrial, service or other business sectors.

2. Stage of Carrying Out Business

In this stage, an entrepreneur then manages various aspects related to his business, including several aspects, namely running a business, financing, human resources, ownership, organization and leadership which includes how to take risks and make decisions, marketing and conducting evaluations.

3. Business Sustainment Stage

The stage of maintaining a business can be interpreted as the stage of an entrepreneur carrying out analysis and also being able to overcome the problems being faced, such as challenges and obstacles. In this way, the current business can be maintained.

4. Business Development Stage

This stage is where the entrepreneur has successfully overcome various problems in his business. Apart from that, at this stage the entrepreneur can develop his business by increasing relationships, updating methods and systems, updating the products produced, enlarging and expanding the business, increasing quality, adding services, adding workforce. So that at this stage the role of entrepreneurs contributes to overcoming the micro problems faced by the country by creating jobs by reducing unemployment so as to increase economic growth through increasing people's purchasing power.

the roles of entrepreneurship in the national economy is providing a number of job opportunities. This can reduce the unemployment rate and support a more confident social life. Reducing the unemployment rate will have an impact on increasing people's income, so that people's purchasing power will increase. Apart from that, this also has an impact on reducing the crime rate due to the large number of unemployed.

## Indonesian economic growth

Economic growth can be seen through the important role of entrepreneurship in supporting Indonesia's economic growth. The role of entrepreneurship has also been proven to play a significant role in realizing the quality of society and the nation.

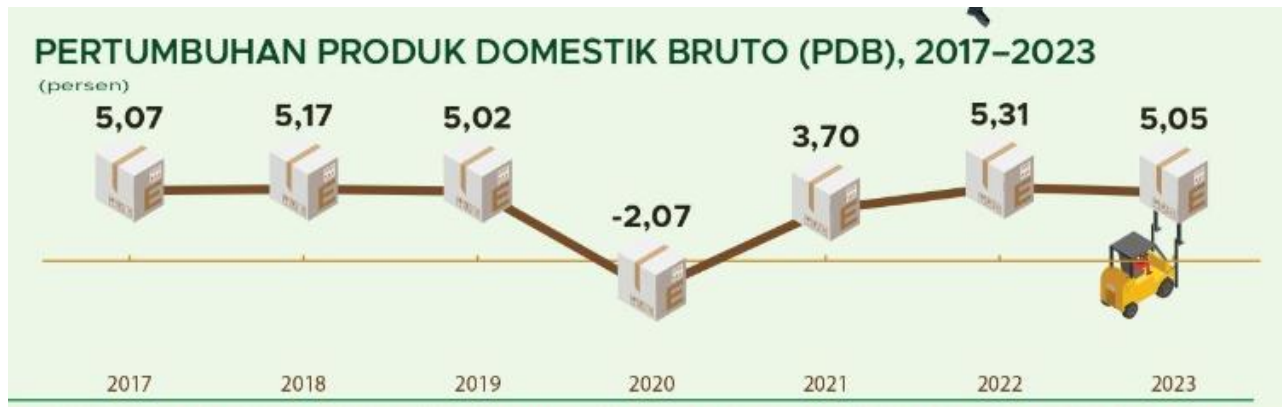


Figure 1. Indonesia's Economic Growth 2017-2023

Source: Central Statistics Agency

The Indonesian economy in 2023, measured based on Gross Domestic Product (GDP) at current prices, will reach IDR. 20,892.4 trillion and GDP per capita reached Rp. 75.0 million. Indonesia's economy will grow by 5.05 percent in 2023, lower than the achievement in 2022 which experienced growth of 5.31 percent. In terms of production, the highest growth occurred in the transportation and warehousing business sector at 13.96 percent. Meanwhile, in terms of expenditure, the highest growth was achieved by the consumption expenditure of non-profit institutions serving households (PK-LNPRT) at 9.83 percent.

The Indonesian economy in quarter IV-2023 to quarter IV-2022 experienced growth of 5.04 percent (y-on-y). In terms of production, the transportation and warehousing business sector experienced the highest growth of 10.33 percent. Meanwhile, in terms of expenditure, the PK-LNPRT component experienced the highest growth of 18.11 percent. The Indonesian economy in the fourth quarter of 2023 experienced growth of 0.45 percent (q-toq) compared to the previous quarter. In terms of production, the government administration, defense and Mandatory Social Security business fields experienced the highest growth of 19.81 percent. In terms of production, the Government Administration, Defense and Mandatory Social Security business fields experienced the highest growth of 19.81 percent. In terms of expenditure, the

Government Consumption Expenditure (PK-P) component experienced the highest growth of 39.13 percent.



Figure 1. Contribution and Growth of the Indonesian Economy in 2023

Source: Central Statistics Agency

During 2023, the Indonesian economy seen spatially will continue to grow. The groups of provinces by island that recorded the highest growth were Maluku and Papua, Sulawesi and Kalimantan with growth (c-to-c) of 6.94 percent; 6.37 percent and 5.43 percent. Meanwhile, the group of provinces on the island of Java contributed 57.05 percent to the national economy, recording growth of 4.96 percent (c-toc). According to the ASEAN Investment Report released in September 2022, Indonesia has the most micro, small and medium enterprises (MSMEs) in the ASEAN region. This report notes that the number of Indonesian MSMEs in 2021 will reach 65.46 million units. This number is much higher than neighboring countries such as Thailand, Malaysia, the Philippines, Vietnam, Cambodia, Singapore, Laos and Myanmar. According to data from the Ministry of Cooperatives, Small and Medium Enterprises (Kemenkop UKM), the workforce absorption capacity of MSMEs is 117 million workers or 97% of the workforce absorption capacity of the business world. Meanwhile, the contribution of MSMEs to the national economy (GDP) was 61.1%, and the remaining 38.9% was contributed by large business actors, whose number was only 5,550 or 0.01% of the total number of business actors.

## The Important Role of Entrepreneurship in Economic Growth

The role of entrepreneurship is increasingly important as a result of the dynamics of economic development. Specifically related to the importance of economic growth and business development to increase people's purchasing power and prosperity and cannot be separated from the government's ability to achieve satisfaction in providing public services. According to Heflin Frinces (2010) there are at least 4 (four) reasons why entrepreneurship is important and useful, namely:

- a. To utilize production factors such as land, capital, technology, information and various human resources (HR) in producing effective tasks .
- b. Identify various probabilities in the environment by increasing activities that will provide benefits to everyone .
- c. To choose the best approach in utilizing all production factors in order to minimize waste in various entrepreneurial activities (minimize waste in entrepreneurial activities).
- d. For the benefit of future generations (benefit of the future generation).

The choice to become an entrepreneur is also due to a strong individual belief that the profession of entrepreneurship is a "good road" (road map) for making changes in the quality of life, both personally and in society. For this reason, people see that being or working as an entrepreneur has fundamental advantages.

According to Thomas W Zimmerer (2011), there are several benefits of entrepreneurship , as follows:

- a. Provides the opportunity and freedom to control the fate of one's own business.
- b. Provide opportunities to make changes.
- c. Provide opportunities to reach your full potential.
- d. Have the opportunity to achieve optimal profits possible.
- e. Have the opportunity to play an active role in society and receive recognition for their efforts.
- f. Have the opportunity to do something you like and develop a sense of enjoyment in doing it.

With some of the benefits of entrepreneurship above, It is clear that by becoming an entrepreneur , a person has more freedoms that cannot be obtained by being an employee or office worker. The role of entrepreneurship for the Indonesian economy is as follows:

1. Opening a new type of business

The development of new types of business adds to the heterogeneity of businesses in Indonesia. Apart from being creative in developing your business, this development also allows recruiting new talents or absorbing the workforce.

2. Providing employment opportunities and absorbing labor

When an entrepreneur opens a business, he can also create jobs for workers in need. Therefore, entrepreneurship can directly reduce the unemployment rate and absorb labor

3. Reducing economic inequality

With entrepreneurship, people who are still unemployed can immediately work because jobs are available. By working, people will earn income so that the gap between rich and poor people can be reduced.

4. Growing national productivity

An entrepreneur can introduce new, more commercial production methods, either based on experience or the results of scientific studies from research. Entrepreneurs can also open new markets, both domestically and in countries where there were no markets before. Both can increase national productivity.

5. Increase people's income

An entrepreneur can explore sources of raw material supply for semi-finished industries or final industries. Entrepreneurs can also introduce new products and new qualities of a product. These forms of entrepreneurship, together with forms of entrepreneurship that increase national productivity, also support an increase in a country's economic growth and people's income.

6. Increase state income through taxes

Existing entrepreneurs will pay taxes to the state. As the number of entrepreneurs increases every year, more and more people pay business taxes to the state.

7. Combining Production factors

An entrepreneur can combine various factors of production in an operation. Several production factors that can be combined include nature, labor, capital and expertise.

## **The role of government for Entrepreneurship**

The government as the implementer of the people's mandate should think about prosperity for its people and this is also mandated in the constitution of the Republic of Indonesia. Therefore, the Ministry of Cooperatives and Small and Medium Enterprises was formed to help develop the people's economy through the cooperative movement as a collector and manager of funds as capital from the people for the people. The existence of cooperatives which are growing rapidly in remote areas of the country is the backbone



for the availability of capital for the growth of small and medium enterprises within community groups.

The rollout of government aid funds which are well managed by cooperatives is a breath of fresh air for the continued growth of small and medium businesses, especially with the deployment of skilled and trained personnel to provide direction and guidance to prospective entrepreneurs who will use the aid funds which are in the form of light loans. These funds will be given in turns so that all cooperative participants can benefit from each other.

The benefits of government support for small and medium businesses to support Indonesia's national economy are:

a. Absorb more workers

These small and medium enterprises are considered to absorb the largest number of workers compared to other state-owned or private enterprises. As we know, most high-end companies will require skilled professionals with higher education. So those who do not have higher education do not have job opportunities. Through the existence of small and medium businesses, employment opportunities are maximized and absorb more workers without considering educational attainment.

b. Increase the State's Foreign Exchange Income

Several medium-scale small and medium-sized enterprise products have succeeded in penetrating the international market through exports, thereby increasing state income, not only from the oil and gas perspective. This potential will continue to increase if the state increasingly supports the development of small and medium businesses, looks at the potential carefully and capitalizes with better funding.

c. Maximizing the Potential of Natural Resources (SDA)

With government support in helping finance small and medium businesses, it will stimulate more people to utilize the natural resources around them. Of course this is better than if our natural resources were controlled by foreigners. This can also make us more independent in natural resources such as food and clothing so that we do not always depend on imports due to free trade.

Seeing that the role of entrepreneurship in the Indonesian economy is very large, the role of the government is needed to help entrepreneurs develop better and create new entrepreneurs in Indonesia. One of them is by creating policies and regulations that support entrepreneurs in developing their businesses. Apart from that, the government also needs to monitor competition between entrepreneurs so that they remain competitive in a healthy manner. When viewed from another perspective, it turns out that too high a number of entrepreneurs is also not good because it can cause

income inequality in society and make people unhappy. This is because entrepreneurs will compete too tightly and eliminate career choices for individuals.

Therefore, the relationship between Entrepreneurship and Indonesia's economic growth is very important for the government to understand as a policy maker and decision maker. Because, by understanding the weaknesses and role of Entrepreneurship in the Indonesian economy, it is possible to take a balanced approach to maintaining entrepreneurship so that it can produce positive economic and social impacts.

## 5. CONCLUSION

Working as an Entrepreneur is a respectable professional choice that must be planned and mature. Entrepreneurship is a way of life chosen because it is believed to be able to play a major role in improving the quality of life for individuals, communities and countries. Apart from that, Entrepreneurship is also one of the important and determining factors for creating a prosperous society and a prosperous country. The stages in carrying out Entrepreneurship activities are related to the process of creating (starting), implementing a business, maintaining a business, and developing a business which must be structured systematically. Being an entrepreneur will give you various freedoms of innovation and creativity that you cannot get if you are an employee or office worker.

the roles of entrepreneurship in the national economy is providing a number of job opportunities. This can reduce the unemployment rate and support a more confident social life. Reducing the unemployment rate will have an impact on increasing people's income, so that people's purchasing power will increase. Apart from that, this also has an impact on reducing the crime rate due to the large number of unemployed.

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